

# **Retirement Laws Committee**

## **Study Assignment**

A continuing study of the pension, annuity, and benefit laws relating to employees and officers in public service.

## **Summary of Interim**

The return on investment of the South Dakota Retirement System Retirement Fund for FY2005 was 13.43% and the condition of the fund remains good. Investment Officer Matt Clark reported that it was an excellent market environment this year.

Staff from the South Dakota Retirement System (SDRS) reported the number of current members in the system is above 66,000. There were 17,547 retirees or benefit recipients who had received over \$218 million in benefit payments during fiscal year 2005. The total number of new benefit recipients was 516, an increase of 3 percent.

The SDRS actuary reported that the system had an actuarial value funded ratio of 98 percent and a market value funded ratio of 112 percent, both showing increases over the previous year.

The SDRS prepared and presented a report entitled "A Statement of Key Positions and Public Policy Related to SDRS Retirees Returning to Work". The report outlines the history of the retire/rehire practice in the system and summarizes the changes that have been made to date. Currently, the policy includes the following provisions:

- The decision by an SDRS participating employer to employ or reemploy a retiree rests solely with the employer and the employee;
- SDRS should not be harmed financially if a retiree returns to work;
- SDRS will not pay a retirement benefit unless a member has terminated employment, as certified by the employer, and is considered a terminated employee for all compensation and benefit practices of the employer;
- Only members who retire with unreduced benefits at Normal or Special Early Retirement and return to work with an SDRS participating employer can receive retirement benefits while reemployed. Also, these members will have their SDRS cost of living adjustment (COLA) eliminated during the reemployment;
- If a retired member is rehired, the second period of employment is treated independently of the first period of employment, and the employee must qualify for SDRS benefits on the basis of the second period of employment only; and
- SDRS practices should not favor or encourage reemployment of a retired member or employment in another state or in non-public employment at the expense of public employment in South Dakota.

The FY2007 budget for the administration of the South Dakota Retirement System is proposed to grow by 1 percent over the previous fiscal year. The budget was submitted to the Governor for his approval and then will be proposed to the Legislature in January 2006.

## **Listing of Legislation Adopted**

Even though the committee will not propose legislation, the SDRS notified members of possible minor legislation which would clarify existing retirement system laws.

## **Summary of Meeting Dates & Places and Listing of Committee Members**

The committee met one time jointly with the Board of Trustees of the South Dakota Retirement System in Pierre at the Ramkota River Centre. The meeting was held on September 15, 2005.

Committee members were: Representative Matthew Michels (Chair), Senator Brock Greenfield (Vice Chair); Senators Jerry Apa, William Earley, Gil Koetzle, and Dan Sutton and Representatives Burt Elliott, Elaine Roberts, Tim Rounds, and Lou Sebert.

Staff members were Annie Mehlhaff, Principal Fiscal Analyst, and Reta Rodman, Legislative Secretary.